

**United States Bankruptcy Court  
Central District of California  
Santa Ana  
Judge Theodor Albert, Presiding  
Courtroom 5B Calendar**

**Wednesday, November 6, 2019**

**Hearing Room**

**5B**

10:00 AM

**8:19-12162 John Louis Katangian and Shelline Marie Katangian**

**Chapter 11**

**#1.00 STATUS CONFERENCE Re: Chapter 11 Voluntary Petition Individual.  
(cont'd from 9-26-19 )**

Docket 1

**Tentative Ruling:**

Tentative for 11/6/19:  
See #2

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Tentative for 9/26/19:  
Dismissal?

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Tentative for 7/11/19:  
Why no status report?

<b>Party Information</b>
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**Debtor(s):**

John Louis Katangian

Represented By  
Michael R Totaro

**Joint Debtor(s):**

Shelline Marie Katangian

Represented By  
Michael R Totaro

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**8:19-12162 John Louis Katangian and Shelline Marie Katangian**

**Chapter 11**

**#2.00** Order To Show Cause Re: Dismissal Of The Debtors' Case, Conversion To Chapter 7 Or Appointment Of Chapter 11 Trustee

Docket 0

**Tentative Ruling:**

Tentative for 11/6/19:

The court on September 27 issued its OSC re dismissal or conversion as a product of a status conference held September 26 wherein alarming and persistent problems were highlighted regarding the Debtors' tenure as DIP fiduciaries. Conversion to Chapter 7, or in alternative, appointment of a Chapter 11 trustee, is supported by the City of Los Angeles. The United States Trustee has joined in urging conversion or appointment of a trustee. Only the Debtors request dismissal. The court notes the following serious issues:

1. Reportedly, Debtors continue to operate a trash hauling business within the City of Los Angeles in maybe two locations, despite an injunction from the Superior Court issued 3/13/2019 and a subsequent order holding defendant/debtor Shelline Katangian and two affiliated corporations in contempt of that order after trial on May 19, 2019.
2. Debtors have failed to file monthly operating reports on a timely basis or to file reports required under Fed. R. Bankr. Proc. 2015.3(a) regarding six reported entities in which the Debtors hold a 50% interest. The desultory reports pertaining to DPF Cleaning Services, Inc. SVT Services, Inc. and Key Disposal & Recycling, Inc. [see Exhibit "B"] are wholly inadequate.
3. Despite the UST's requests, the Debtors' 2017 and 2018 tax returns have not been produced.

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**John Louis Katangian and Shelline Marie Katangian**

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4. The MORs for July and August show receipts of \$25-27 thousand per month, but these sums were spent largely on servicing the mortgage on Debtors' Tustin residence (\$19,871 monthly). Such sums would in any event be wholly inadequate to fund any meaningful reorganization plan given the huge amount of reported debt (\$30,156,161).
5. The Debtors have listed the Lake Arrowhead property for sale on August 16, 2019. This property is reportedly owned by 160 Shorewood LLC of which debtor John Katangian is 50% owner; but curiously, the listing is signed by "Katangian Investment Properties, LLC," an entity not previously disclosed. Even more alarming, a lien to secure \$200,000 was recorded August 19, 2019 against the Lake Arrowhead property by Key Disposal, an entity owned 50% by debtor John Katangian, all without leave of court. While arguably these are not "property of the estate" and so an order under §363 might not have been strictly required (although obviously better advised), it is not clear how these transactions as exercises of a 50% interest in the entities (and thus a use, sale or lease of property of the estate) are within the ordinary course of business of the debtor. But most disturbing of all, these transactions were apparently done against the advice of counsel and over his objection.

Even the Opposition brief filed by the Debtors on October 30 includes a lament from counsel about the Debtors' persistent lack of cooperation.

Debtors' principal defense seems to be the argument that a Chapter 7 trustee will not be able to realize anything from the reported assets which are all heavily encumbered, and so dismissal is the better remedy, leaving the "sophisticated" creditors to their own devices. This argument fails on several levels. First, bankruptcy proceedings exist primarily for the interests of *creditors*, not for the debtor (especially where the debts are allegedly non-dischargeable). Petitions are not to be used as "on/off" devices at the whim of the debtor in a fox and hounds chase. So, to argue

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**John Louis Katangian and Shelline Marie Katangian**

**Chapter 11**

that creditors can just continue to chase these debtors around *ad infinatum* is a complete non-starter and an offense to equity. But second, and perhaps more importantly, the court does not accept the premise of this argument, i.e. that the schedules are a complete and accurate report of the assets and causes of action available. Nothing the court has seen suggests that much if anything these debtors have said or done in this proceeding can be trusted. It is consequently more in the interest of creditors for a liquidation trustee to assume control, investigate and report.

*Convert to Chapter 7.*

<b>Party Information</b>
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**Debtor(s):**

John Louis Katangian

Represented By  
Michael R Totaro

**Joint Debtor(s):**

Shelline Marie Katangian

Represented By  
Michael R Totaro

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**8:19-13920 Barley Forge Brewing Company, LLC**

**Chapter 11**

**#3.00 Status Conference Re: Chapter 11 Voluntary Petition Non-Individual**

Docket 1

**Tentative Ruling:**

Tentative for 11/6/19:

Deadline for filing plan and disclosure statement or motion to sell substantially all assets: February 1, 2020.

Claims bar: 60 days after dispatch of notice to creditors advising of bar date.

Debtor to give notice of claims bar deadline by: December 1, 2019.

<b>Party Information</b>
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**Debtor(s):**

Barley Forge Brewing Company,

Represented By  
M Douglas Flahaut

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**8:19-13920    Barley Forge Brewing Company, LLC**

**Chapter 11**

**#4.00    Emergency Motion For An Order Authorizing Use Of Cash Collateral  
(cont'd from 10-09-19)**

Docket       5

**Tentative Ruling:**

Tentative for 11/6/19:

Grant, subject to negative notice of extension to February 1, 2020, by which  
time a sale is expected.

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Tentative for 10/9/19:

Per OST, opposition, if any, due at hearing.

<b>Party Information</b>
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**Debtor(s):**

Barley Forge Brewing Company,

Represented By  
M Douglas Flahaut

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**8:19-13920 Barley Forge Brewing Company, LLC**

**Chapter 11**

**#5.00 Emergency Motion For Authority To Maintain An Existing Bank Account  
(cont'd from 10-09-19)**

Docket 6

**Tentative Ruling:**

Tentative for 11/6/19:  
Grant.

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Tentative for 10/9/19:  
Per OST, opposition, if any, due at hearing.

<b>Party Information</b>
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**Debtor(s):**

Barley Forge Brewing Company,

Represented By  
M Douglas Flahaut

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**8:19-13920 Barley Forge Brewing Company, LLC**

**Chapter 11**

**#6.00** Motion For An Order (1) Approving Debtor's Agreement With Grobstein Teeple LLP And (2) Authorizing Monthly Fee Statement Procedures And Payments

Docket 34

**Tentative Ruling:**

Tentative for 11/6/19:

Grant, but with the understanding that a sale is likely before February 1, or at a minimum, a plan and disclosure must be on file.

<b>Party Information</b>
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**Debtor(s):**

Barley Forge Brewing Company,

Represented By  
M Douglas Flahaut



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**8:18-13004 Nasco Petroleum LLC**

**Chapter 11**

**#7.00 Motion For Order Of Approval Of Compromise And Sale Transaction**

Docket 221

**Tentative Ruling:**

Tentative for 11/6/19:  
Grant.

<b>Party Information</b>
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**Debtor(s):**

Nasco Petroleum LLC

Represented By  
Kent Salveson  
Min Kyung Kim  
Garrick A Hollander

**Trustee(s):**

Karen S Naylor (TR)

Represented By  
Nanette D Sanders

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**8:18-13004 Nasco Petroleum LLC**

**Chapter 11**

**#8.00** Motion For Order Awarding And Compelling Payment Of Attorneys Fees And Expenses

Docket 222

**Tentative Ruling:**

Tentative for 11/6/19:  
Allow \$298,452 from funds on deposit.

<b>Party Information</b>
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**Debtor(s):**

Nasco Petroleum LLC

Represented By  
Kent Salveson  
Min Kyung Kim  
Garrick A Hollander

**Trustee(s):**

Karen S Naylor (TR)

Represented By  
Nanette D Sanders

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**8:19-13957    Rosemaria Geraldine Altieri**

**Chapter 11**

**#9.00    Motion to Use Cash Collateral**

Docket      5

**Tentative Ruling:**

Tentative for 11/6/19:

Grant; the Debtor should not assume this status quo can persist for an extended period as the protective equity is very small. Revisit in 90 days?

<b>Party Information</b>
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**Debtor(s):**

Rosemaria Geraldine Altieri

Represented By

Misty A Perry Isaacson